

UMS

FYI ONLY

ER 85-2474

Office of Legislative Liaison
Routing Slip

TO:	ACTION	INFO
1. D/OLL		X
2. DD/OLL		X
3. Admin Officer		X
4. Liaison		
5. Legislation		X
		X
SUSPENSE		Date

Action Officer:
Remarks: FYI ONLY

Name/Date

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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3	EXDIR		X		
4	D/ICS		X		
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7	DDO		X		
8	DDS&T		X		
9	Chm/NIC		X		
10	GC				
11	IG		X		
12	Compt		X		
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14	D/PAO		X		
15	VC/NIC		X		
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Remarks

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Executive Priority

85- 2474

M-85-18

June 13, 1985

MEMORANDUM TO: HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES
FROM: David A. Stockman *David A. Stockman*
SUBJECT: Prevention of Wasteful Year-End Spending

As we enter the final quarter of fiscal year 1985, I ask that you give personal attention to preventing wasteful year-end spending by those in your agency who would obligate funds simply so that the funds will not be reported as unobligated or lapse at the end of the fiscal year.

Specifically, I ask that you issue instructions to your staff to ensure that:

- To the maximum extent allowed by law or regulations, disciplinary action is taken against officers and employees who waste public funds.
- Employees are reminded of appropriate standards that apply to wasteful spending and the possible sanctions and penalties, and that they are apprised of how to report waste and fraud and the protections that are available for employees making such reports.
- Obligations for the fourth quarter of the fiscal year are no higher than the average for the first three quarters, except where seasonal requirements, essential program objectives, or leadtimes justify a higher level.
- Orders for services, supplies, materials, and equipment are not more than needed to meet approved essential program objectives and are made in accordance with the attached procurement guidance by the Administrator of the Office of Federal Procurement Policy.
- Grants and other forms of Federal assistance are subjected to rigorous review, meet current priorities, are funded only in justified amounts, and are not made just to keep funds from lapsing or to keep them from being reported as unobligated.

- Special attention is paid to controlling the use of funds in areas that are particularly vulnerable to wasteful spending, e.g., travel and transportation, consulting and related services, periodicals, publishing and audiovisual products, motor vehicles, public affairs, and other areas identified by assessments made pursuant to OMB's guidelines for implementing the Federal Managers' Financial Integrity Act and OMB Circular No. A-123 on Internal Controls.

Procurement executives, contracting officers, program managers, and policy officials who are responsible for initiating or reviewing procurement and grant actions should carry out their responsibilities in a way that assures compliance with this guidance.

We also ask that Inspectors General conduct an assessment of the validity of a sample of the procurements awarded in the fourth quarter. Such an approach has had a valuable deterrent effect in the past.

Inspector General personnel, auditors, and legal counsel should consider noncompliance with the aforementioned requirements to be an indication of waste.

I count on your full cooperation and personal attention to save the taxpayers as much money as possible in support of the President's objectives.

Attachment



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT
POLICY

JUN 3 1985

MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: *William E. Mathis*
William E. Mathis, Acting Administrator

SUBJECT: Prevention of Wasteful Year-End Spending

The Director of the Office of Management and Budget requested that the Office of Federal Procurement Policy provide guidance on ways to prevent wasteful year-end procurement spending.

Attachment 1 is an updated check list for your use in detecting and preventing end-of-year wasteful spending and other procurement abuses. This check list should be uniformly applied at all agency levels where procurement actions are accomplished.

OFPP Policy Letter No. 81-1 (Attachment 2) requires each agency to establish an advance procurement planning system and to have review procedures for fourth quarter spending. These procedures should be updated continuously to ensure that controls are in place to cover major procurement requirements and other requirements with high waste vulnerability, such as consulting services, certain equipment and furnishings, periodicals, pamphlets or audiovisual products. The procedures and standards developed by your agency to comply with the Policy Letter are important management tools. Under the leadership of the Procurement Executive, they should be fully integrated into the overall acquisition management program consistent with the Charter for Procurement Executives. Particular standards should be developed for application to year-end spending with provision for the formal interfacing of budget, program and contracting activities early in the fiscal year. Your personal support of your Procurement Executive is critical to the successful establishment of standards and the improvement of the procurement system. We also request that you emphasize to field procurement and program personnel at all levels the importance of using the OFPP check list and of complying with Policy Letter No. 81-1 to ensure better planning and scheduling of procurement actions.

We still believe it necessary and important to emphasize these elements as a part of a sound basis for avoiding unnecessary year-end spending:

- The need for advance procurement planning procedures and standards with continuous updating.
- Better management, control, and surveillance of procurement activities down to the lowest field level where procurement is accomplished.
- Cut-off dates and standard procurement lead-times should be implemented or followed.

I cannot overemphasize that prevention of unneeded or unwise Federal spending is an essential part of our efforts to control waste, improve management, reduce the deficit, and to assure public confidence in the integrity of Government. I ask you to continue to use public funds wisely in the procurement of goods and services and to be especially alert to unnecessary, nonessential or inefficient year-end buying during this last quarter of 1985. Advance procurement planning is essential for an efficient and responsive contracting program and should be an integral part of the responsibilities of the Procurement Executive in cooperation with those who establish agency requirements.

Attachments

Attachment 1

**CHECK LIST FOR PREVENTING
WASTEFUL YEAR-END SPENDING**

A. Standards of Conduct

1. Have employees been advised of the expected standards of conduct as they apply to wasteful spending and the possible sanctions and penalties if conduct is improper or required procedures are not followed?
2. Have employees been apprised of their duty to report and the methods of reporting waste and fraud including hotline telephone numbers (attached) and the protections that are available to employees making waste and fraud reports?
3. Contracts or other documents must not be postdated under any circumstances.
4. Procurement actions should not be delegated or assigned to field or base stations, regional or other subordinate offices or other activities or agencies, to avoid proper review, clearance, approvals or other such internal controls required at the headquarters level.
5. Contracts to former Government employees must be closely reviewed and clearly justified. Conflict of interest considerations must play a major role in this assessment and approval and such conflicts avoided under all circumstances.

B. Need Determination

1. Is the request part of a current approved budget plan?
2. Is the request for more property or services than is needed to meet approved and essential program objectives or can it be postponed or delayed to a more propitious time?

3. Is the request duplicative in whole or in part of some other ongoing Government program?
4. Has a lease vs. purchase cost benefit review been completed, if appropriate?
5. Is the request for purchase of additional items or services not contained in the original procurement request or contractor proposal? Is this because original estimated funding needs were in excess of the funds actually required to meet the funding requirements? Is it fully justified? What events transpired to bring about the need for additional funding requirements?
6. Purchases or orders for equipment, supplies, or services should not be approved unless they have been planned in advance, properly solicited in The Commerce Business Daily, or, are needed to meet an emergency and comply with agency internal controls under OMB Circular A-123 and the Federal Managers' Financial Integrity Act, P.L. 97-255.
7. Funds should not be obligated for requirements-type or task contracts in excess of anticipated needs based on projections from prior use and current operating levels.
8. The procurement of consulting and advisory services and modifications of current consulting and advisory services contracts must be reviewed for compliance with current controls under OMB Circular A-120 and A-123.
9. Purchases by or orders from the General Services Administration, the Defense Logistics Agency, or other central procurement offices, or off Federal Supply Schedules should not be in excess of current use or inventory requirements. Use and inventory requirement must be validated. Orders should not be placed if delivery cannot be made in time to meet current need or inventory requirements.
10. Procurement actions must be reviewed to ensure that they cover essential, minimum requirements and not superfluous or "gold-plated" supplies.
11. To avoid duplication or underutilization and to foster greater economy and efficiency, users should ensure maximum utilization of available inventories and the proper use of all available resources including excess property before procuring new or additional supplies or quantities.
12. Items should not be replaced while they still are usable unless replacement is essential to meet program objectives, productivity would be increased, or substantial cost savings will result. Materials and equipment should be repaired and reused whenever practicable.

13. Renovation, moving or redecorating, should only be done when it is essential to program objectives, required because of lease arrangements or in an emergency to protect the health and safety of employees. In any case, it should only be the minimum necessary to meet program objectives.

C. Good Procurement Practice and Accountability

1. Is there time to ensure that normal procurement practices are followed? If not, the file should be documented as to why the procurement process was compressed to the point where good practices were not followed.
2. A cost or price analysis, and a determination that the Government is paying only fair and reasonable prices and will receive all appropriate discounts and credits, should be made for all contracts or modifications.
3. All noncompetitive proposals should be audited or audit information obtained, unless reasonableness of price can be established clearly by other accepted means.
4. Certification of current cost or pricing data should not be used as a substitute for preaward price negotiation.
5. Initiation of procurements in the fourth quarter for award in the fiscal year should generally be limited to small purchases or to emergency unscheduled requirements with appropriate solicitation in The Commerce Business Daily.

D. Method of Contractor Selection

1. Will a noncompetitive contract be necessary? Is it fully justified and documented? Have plans been made to prevent subsequent noncompetitive contracts?
2. Are grants reviewed to ensure they are the proper vehicle in accordance with the Federal Grant and Cooperative Agreement Act (P.L. 95-244) and are not used to avoid procurement procedures? Does the use of a grant violate a legislative mandate or authorization?
3. "Unsolicited" proposals should be truly unsolicited and should not be accepted unless they demonstrate unique or innovative concepts not otherwise available or resembling a pending competitive proposal and are for a current essential program requirement. Award will only be made after strict compliance with regulations on unsolicited proposals, including appropriate documented rationale for the decision.

4. Procurements should not be divided just to come within small purchase procedures. In accordance with good procurement practices, requests should be consolidated if it would be more cost effective to do so, to take advantage of quantity pricing. However, this should not be construed to prohibit breakout of items for small or minority business.
5. Short response times or restrictive requirements must not be used as methods to avoid full and open competition or as means of "steering" contracts.
6. You are reminded that statutes and implementing regulations require that all proposed procurement actions of \$10,000 and above be synopsisized in The Commerce Business Daily at least 15 days prior to issuance of a solicitation.

E. Use of Existing Contracts

1. If the request is for the exercise of options or the funding of the later years of a multi-year contract, is it fully justified, still necessary? Is the option or later year funding still reasonably priced based on historical costs for immediately preceding years?
2. If the requests are purchases off Federal Supply Schedules or orders against basic ordering agreements or requirements-type contracts, are they fully justified as to current need, pricing and the method of contracting? This applies particularly for high-waste vulnerable items.
3. If the request is to add funds to an ongoing contract with a Government Owned/Contractor Operated facility, a Federal Contract Research Center, or a Federally Funded Research and Development Center, is the requirement clearly defined? Is it fully justified? Are such contracts being used as a means to circumvent procurement requirements? Are subcontract awards being directed by the Federal agency?
4. Funds obligated to cover unpriced items, such as changes, spare parts and data, should not be in excess of current best estimates of need for those items. Additional obligations in excess of the original procurement request must be clearly justified.
5. Funds for letter contracts should not be obligated in excess of that allowed by regulations, nor should letter contracts be used solely as a vehicle to obligate funds that would otherwise lapse.

6. When contracts are modified or supplemental agreements issued to increase the level of effort or procure additional tasks, items or services, the additional requirements must be validated. The subcontracting of substantial parts of such modifications, change orders or tasks may indicate contracts are being used as vehicles to avoid competition.
7. Funds for contractor operated supply stores or other logistic support-type contracts should not be obligated in excess of current requirements or used as a vehicle to make directed procurements nor should they otherwise be used to avoid agency internal management controls. Accepted techniques and mechanisms for control of inventories, such as usage checks and economic order quantities, should be employed.



OFFICE OF FEDERAL
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POLICY

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Attachment 2

AUG 13 1981

POLICY LETTER 81-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Procurement Procedures, Advance Procurement Planning, and Review of End-of-Year Purchases

It is the responsibility of the head of each agency to assure efficient and economical procurement. Consistent with that responsibility is an obligation to reduce wasteful practices resulting from hurried or unnecessary end-of-year procurement. In carrying out these responsibilities, the Head of each Executive Department or Establishment shall establish the following management controls:

1. Procurement procedures providing lead time and cut-off dates. Each agency shall develop procedures that allow sufficient lead time to prepare solicitations, obtain and evaluate bids or proposals, audit, negotiate, and make contract awards in an orderly manner. The procedures shall specify the lead time required and establish firm cut-off dates for submission to procurement offices of requests for contract action to be completed by the end of a fiscal year. The lead times and cut-off dates may vary with the type of contract action and dollar thresholds. Exceptions to the lead time and cut-off date procedures should be kept to a minimum and approved only under extraordinary circumstances.
2. Advance Procurement Planning. Agencies shall issue procedures that require an Advance Procurement Planning System (APP) for each activity. The procedures shall include:
 - Establishment of a specific threshold above which procurements are to be considered major;
 - Development and maintenance of an advance procurement plan to cover major procurement requirements and other requirements with high waste vulnerability, such as consulting services, certain equipment, periodicals, pamphlets, or audiovisual products. The plan should be developed well in advance of the fiscal year in which the acquisition will be made;

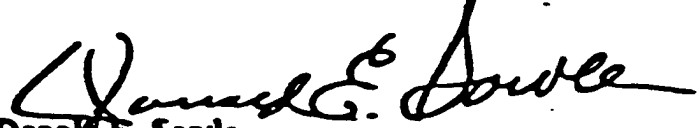
- Flexibility to allow revisions to the plan, but only to reflect budget changes, emergencies, and changes in program direction;
 - Procurement planning that begins concurrently with the agency budget process;
 - A requirement that needs are specified in a form that permits effective competition and innovation;
 - A means to resolve disagreements between procurement and project offices;
 - Close control of major and high waste vulnerability purchases to assure that they are consistent with the advance procurement plan; and
 - An ongoing program to assess the appropriateness of the methods used to satisfy needs, including cost effectiveness, whether gold-plating will result, and life cycle costing, where appropriate.
3. Review procedures for the last quarter spending. Each agency shall develop review procedures that require: (a) close control of purchases made in the last quarter to assure that they are consistent with the advance procurement plan, (b) reevaluation of the need for purchases made in the last quarter, (c) good procurement practice and accountability to assure that contracts are awarded only if prices are reasonable, and (d) award of contracts on the basis of competition unless award on some other basis is significantly to the advantage of the agency.
4. Contract Action Log. Each procuring activity shall keep a log of major or high waste vulnerability contract actions.

Within 60 days after the effective date of this letter the head of each agency shall report to OFPP the action taken to implement the provisions of this Policy Letter. The report shall describe the advance procurement planning process, the procedures to require lead time and cut-off dates, the review procedures, and the implementation of the contract log.

For further information with respect to this policy directive, contact Mr. Jack Nadol, Assistant Administrator for Procurement Practices, telephone 395-3455.

EFFECTIVE DATE: This Policy Letter is effective August 28, 1981.

CONCURRENCE: This letter has been concurred in by the Director of OMB.


Donald E. Sowle
Administrator

OFFICES OF INSPECTOR GENERAL AND HOTLINE NUMBERS

Department of Agriculture Room 247E, Administration Building Washington, D.C. 20520	(800) 924-9121
U.S. Agency for International Development 21st and Virginia Avenue Room 5644, New State Building Washington, D.C. 20523	(FTS) 235-3528
Department of Commerce 14th and Constitution Avenue, N.W. Room 7898-C Washington, D.C. 20230	(800) 424-5197 (202) 377-2495
Department of Defense The Pentagon, Room 1E482 Washington, D.C. 20310	(800) 424-9098 (202) 693-5080 (Autovon) 223-5080
Department of Education 330 C Street, S.W. Room 4006, Switzer Bld. Washington, D.C. 20202	(FTS) 755-2770 (202) 755-2770
Department of Energy 1000 Independence Avenue, S.W. Room 5A249, Forrestal Bld. Washington, D.C. 20585	(FTS) 252-4073 (202) 252-4073
Environmental Protection Agency 401 M Street S.W., Room 2714 Washington, D.C. 20460	(800) 424-4000 (202) 382-4977
General Services Administration 18th and F Streets, N.W., Room 5340 Washington, D.C. 20405	(800) 424-5210 (202) 566-1780
Department of Health and Human Services 330 Independence Avenue, S.W. Room 5250, North Building Washington, D.C. 20201	(800) 368-5779 (301) 597-0724
Department of Housing and Urban Development 451 7th Street, S.W., Room 8256 Washington, D.C. 20410	(FTS) 472-4200 (202) 472-4200
Department of the Interior 18th and C Streets, N.W., Room 5239 Washington, D.C. 20240	(800) 424-5081 (202) 343-2424

OFFICE OF INSPECTOR GENERAL GENERAL AND HOTLINE NUMBERS

Department of Justice (202) 633-3365
Counsel, Office of Professional Responsibility
Room 4306 Main Justice Building
Washington, D.C. 20530

Deputy Assistant Attorney General
Room 1111, Main Justice Building
Washington, D.C. 20530

Department of Labor (800) 424-5409
200 Constitution Avenue, N.W., Room S1303 (202) 357-0227
Washington, D.C. 20210

National Aeronautics and Space Administration (800) 424-9183
400 Maryland Avenue, S.W. Room 6075 (202) 755-3402
Washington, D.C. 20546

Office of Personnel Management (FTS) 632-4423
1900 E Street, N.W. Room 7558 (202) 632-4423
Washington, D.C. 20416

Small Business Administration (FTS) 653-7557
1441 L Street, N.W., Room 1018 (202) 653-7557
Washington, D.C. 20416

Department of State (202) 632-3220
2201 C Street, N.W.
Room 6821, New State Building
Washington, D.C. 20520

Department of Transportation (800) 424-9071
400 7th Street, S.W., Room 92110 (202) 755-1855
Washington, D.C. 20590

Department of Treasury (202) 566-6900
15th & Pennsylvania Avenue, N.W., Room 2412
Washington, D.C. 20220

Veterans Administration (800) 368-5899
1425 K Street, N.W. (FTS) 389-5394
Room 1100, McPherson Building (202) 389-5394
Washington, D.C. 20420

OTHER AGENCY HOTLINE NUMBERS

General Accounting Office (800) 424-5454

Merit Systems Protection Board (202) 653-7107